

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: County Assessors and Annual Adjustment Vendors

FROM: J. Barry Wood, Assessment Division Director *JBW*

SUBJECT: 2009 Annual Adjustment Guidance Follow-up

DATE: February 18, 2009

As a follow-up to the conference calls held on February 6, 2009 with the local assessing officials and February 13, 2009 with vendors, the Department of Local Government Finance ("Department") is providing supplemental information to the February 4, 2009 memorandum for the 2009 pay 2010 annual adjustment ("trending") process.

First, the goal of Commissioner Rushenberg and the Department is to ensure "on-time" billing for property taxes. Per IC 6-1.1-5-14, **the County Assessor is to submit their gross assessed values to the County Auditor by July 1 of each year.** Although there is no statutory date for the county to submit their 2009 pay 2010 annual adjustment data to the Department, it is highly recommended that the counties submit their data as soon as it is completed (ideally by late May 2009). To date, the Department has received ratio study information from one (1) county – Rush County.

In addition to the permission to use only one (1) year of sales in accordance with the 2007 IAAO Standard on Ratio Studies, Standard 4.4, if a county expands its sales period due to insufficient sales for some strata, please document the sales (i.e., submit a list of sales used; valid/invalid; etc.). This may include a brief narrative of the sales used, or reasons for invalidating the sales.

Several questions have been raised in regard to the underlying parcel data and sales, and multiple parcel sales. In Standard 3.5 of the 2007 IAAO Standard on Ratio Studies: "Matching of Appraisal and Market Data," it is stated:

"The physical characteristics of each property used in the ratio study must be the same as when sold. This implies two essential steps. First, the appraiser must ascertain whether the property descriptions match. If a parcel is split between the appraisal date and the sale date, a sale of any of its parts should not be used in the ratio study.

Second, the appraiser must ascertain whether the property rights transferred, the permitted use, and the physical characteristics of the property on the date of assessment are the same as those on the date of sale. If the physical characteristics of the property have changed since the last appraisal, adjustments may be necessary before including the property in a ratio

study. Properties with significant differences in these factors should be excluded from the ratio study.”

For multiple parcel sales, the number of sales and if they are used in the annual adjustment process will vary from county to county. However, multiple parcel sales should not automatically be invalidated. In some counties, every lot or legal description is treated as a unique parcel. If those lots (primarily older platted areas) are small lots, there could be one house or commercial building sitting on multiple lots (multiple parcels). Per IC 6-1.1-5-16, an **assessing official is required to consolidate more than one (1) existing contiguous parcel into a single parcel if the assessing official has knowledge that an improvement to the real property is located on or otherwise significantly affects the parcels.** Also, since the Department will be conducting the ratio study, please ensure that the correct property class codes are being used.

Finally, since this is the first year for the Department to conduct the ratio studies, your continued cooperation is greatly appreciated. The following should be completed/submitted as part of the annual adjustment process:

1. Narrative describing the approach to value, data, or other information used in the determination of assessed valuation for all classes of property with an emphasis on valuation methods used where sales were insufficient to calculate a sales adjustment factor
2. Workbook showing the 2008 certified assessed values and 2009 workbook values
3. Compliant 2008 sales disclosure file (A compliant 2007 sales disclosure file should have already been received for review of the 2008 pay 2009 ratio study. However, if there are any changes to the file, the file will have to be re-approved for compliance.)
4. Compliant 2008 pay 2009 parcel data file
5. Compliant 2009 abstract

As previously indicated, counties are highly encouraged to complete their own internal ratio study before submitting the above information to the Department.

If you have any additional questions or comments about this memorandum, please contact me at bwood@dlgf.in.gov or (317) 232-3762.